

1  
2  
3  
4  
5  
6  
7  
8

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

IN THE MATTER OF DETERMINING	)	Order No.: S-17-2296-18-CO02
Whether there has been a violation of the	)	
Securities Act of Washington by:	)	CONSENT ORDER
Ira J. Weinstein, et al.	)	AS TO IRA J. WEINSTEIN
	)	
	)	
Respondents	)	
	)	

**INTRODUCTION**

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions ("Securities Division") and Respondent Ira J. Weinstein do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondent Ira J. Weinstein neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

**FINDINGS OF FACT**

**Respondent**

1. Ira J. ("Jay") Weinstein ("Weinstein") (CRD #2163644) was a Seattle, Washington resident during 2015 and 2016. From at least August 2015 until July 2017, Weinstein offered and sold Woodbridge First Position Commercial Mortgage investments to Washington residents. During that time, Weinstein was a registered investment adviser representative. From January 2015 to March 2018 and from July 2013 until September 2014, Weinstein was registered with the Securities Division as an investment adviser representative at First American National Investment Advisors, LLC. Prior to that, from June 2005 until July 2013, Weinstein was registered as an investment adviser representative with other investment adviser firms.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**Related Parties**

2. Woodbridge Mortgage Investment Fund 2, LLC ("Fund 2") is a Delaware limited liability company that was formed on December 6, 2013.

3. Woodbridge Mortgage Investment Fund 3, LLC ("Fund 3") is a Delaware limited liability company that was formed on September 9, 2014.

4. Woodbridge Mortgage Investment Fund 3A, LLC ("Fund 3A") is a Delaware limited liability company that was formed on July 28, 2015.

5. Woodbridge Mortgage Investment Fund 4, LLC ("Fund 4") is a Delaware limited liability company that was formed on June 3, 2015.

**Nature of the Conduct**

6. From August 2015 to July 2017, Weinstein offered and sold a total of approximately \$4,225,000 worth of First Position Commercial Loan Investments issued by Fund 2, 3, 3A, and 4 to approximately ten Washington investors. The investments generally had a term of at least nine months, with a minimum 5% annual interest rate, and were evidenced by promissory notes. Each Fund was set up to pool investor funds in order to generate commercial loans. The investors did not participate in managing the Woodbridge lending business.

**Other State Securities Regulatory Actions**

7. On May 4, 2015, the Massachusetts Securities Division entered into a Consent Order with Woodbridge Fund 1, 2, and 3. The Consent Order stated that 144 Massachusetts residents had invested in Woodbridge loans. The Consent Order alleged that the offering of the Woodbridge loans was not properly registered with the Massachusetts Securities Division.

8. On July 17, 2015, the Texas State Securities Board entered an Emergency Cease and Desist Order ("Emergency Order") against Woodbridge Fund 3. The Emergency Order described multiple risks

1 associated with the Woodbridge Fund 3 investments, including, but not limited to, the failure to disclose the  
2 financial condition of Woodbridge, the failure to collateralize the investment until a loan was funded, and  
3 the failure to disclose the Massachusetts Consent Order. The Emergency Order also alleged that the  
4 offering of the Woodbridge investments was not properly registered.

5 9. On October 4, 2016, the Arizona Corporation Commission entered a Temporary Order to Cease and  
6 Desist ("Temporary Order") against Woodbridge Fund 1, 2, and 3. The Temporary Order alleged that  
7 Woodbridge failed to disclose material risks of the Woodbridge First Position Commercial Mortgage  
8 investments, including, but not limited to, the failure to adequately collateralize the mortgage loans, the  
9 failure to properly perfect the investors' security interests, and the failure to disclose the Massachusetts  
10 Consent Order and the Texas Emergency Order. The Temporary Order alleged that Woodbridge violated  
11 the registration and the anti-fraud provisions of the Arizona Securities Act.

#### 12 **Undisclosed Material Information**

13  
14 10. When offering and selling the Woodbridge investments, Respondent Weinstein failed to disclose  
15 material risks of the investments to the investors. Respondent Weinstein failed to disclose the financial  
16 condition of Woodbridge. Respondent Weinstein failed to disclose that there was no third party escrow to  
17 ensure the proper recording of the investors' real property security interests. Respondent Weinstein failed to  
18 disclose that many of the borrowers for Woodbridge commercial loans were Woodbridge affiliates, and not  
19 independent "third party" borrowers. Respondent Weinstein failed to disclose the prior state securities  
20 actions in May 2015 and July 2015 and October 2016 that had been issued against Woodbridge Funds for  
21 violations of state securities laws.

#### 22 **Weinstein's Failure to Disclose His Woodbridge Sales Compensation Conflict of Interest**

23  
24 11. When selling Woodbridge investments, Weinstein failed to disclose to his registered investment  
25 adviser and to his clients in writing the conflict of interest that he had in selling Woodbridge investments.

1 As a registered investment adviser representative, Weinstein had a duty to comply with WAC 460-24A-  
2 220(11), which defines “dishonest or unethical business practice” to include “failing to disclose to clients in  
3 writing before any advice is rendered any material conflict of interest,” including “compensation  
4 arrangements connected with advisory services to clients which are in addition to compensation from such  
5 clients for such services.” Weinstein received sales commissions from Woodbridge that were based on his  
6 sales of Fund investments. The commissions totaled approximately \$115,000.

### 7 **Unregistered Securities**

8 12. Woodbridge Mortgage Investment Fund 2, LLC is not currently registered to sell its securities in the  
9 state of Washington and has not previously been so registered.

10 13. Woodbridge Mortgage Investment Fund 3, LLC is not currently registered to sell its securities in the  
11 state of Washington and has not previously been so registered.

12 14. Woodbridge Mortgage Investment Fund 3A, LLC is not currently registered to sell its securities in  
13 the state of Washington and has not previously been so registered.

14 15. Woodbridge Mortgage Investment Fund 4, LLC is not currently registered to sell its securities in the  
15 state of Washington and has not previously been so registered.

### 16 **Unregistered Securities Salesperson**

17 16. From 2015 through 2017, Weinstein was not registered as a securities salesperson in the state of  
18 Washington. Prior to that, between September 1991 and July 2008, Weinstein was registered with the  
19 Securities Division as a securities salesperson with various securities broker-dealer firms.

### 20 **Failure to Update Form U4 Filing**

21 17. As a registered investment adviser representative, Weinstein had a duty to update his Form U4  
22 registration filing with the Securities Division within 30 days of any material change. Weinstein began  
23  
24  
25

1 selling Woodbridge Fund investments in August 2015. Weinstein never reported that business activity on  
2 his Form U4 registration filing.

3 Based upon the above Findings of Fact, the following Conclusions of Law are made:

4 **CONCLUSIONS OF LAW**

5 1. The offer and/or sale of the investments described above constitute the offer and/or sale of a  
6 security as defined in RCW 21.20.005(14) and (17).

7 2. The Respondent Ira J. Weinstein violated RCW 21.20.140, because, as set forth in the  
8 Findings of Fact, Weinstein offered and/or sold securities for which no registration is on file with the  
9 Securities Administrator.

10 3. The Respondent Ira J. Weinstein violated RCW 21.20.040, because, as set forth in the  
11 Findings of Fact, Weinstein offered and/or sold securities without being registered as a securities  
12 salesperson or broker-dealer.

13 4. The Respondent Ira J. Weinstein violated RCW 21.20.010, because, as set forth in the  
14 Findings of Fact, Weinstein omitted to state material facts necessary to make the statements made, in light  
15 of the circumstances in which they were made, not misleading.

16 5. The Respondent Ira J. Weinstein violated RCW 21.20.110(g) because, as set forth in the  
17 Findings of Fact, Respondent engaged in dishonest or unethical business practices as defined in WAC 460-  
18 24A-220(11) by failing to disclose in writing Weinstein's conflict of interest in receiving compensation for  
19 the sale of Woodbridge investments. Such conduct is grounds for the suspension of Respondent  
20 Weinstein's investment adviser representative registration pursuant to RCW 21.20.110(1)(g).

21 6. The Respondent Ira J. Weinstein violated WAC 460-24A-205 by failing to update his Form  
22 U4 filing with the Securities Division to reflect his sales commissions from the Woodbridge Funds.  
23  
24  
25

1 7. Respondent Weinstein's violations of RCW 21.20.140, RCW 21.20.040, RCW 21.20.010  
2 and WAC 460-24A-205, as set forth in the Findings of Fact, is also grounds for suspending Respondent  
3 Weinstein's investment adviser representative registration and for denying his registration as a securities  
4 salesperson or broker-dealer pursuant to RCW 21.20.110(1)(b).

5 Based upon the foregoing and finding it in the public interest:

6 **CONSENT ORDER**

7 IT IS AGREED AND ORDERED that Respondent Ira J. Weinstein, and his agents and employees  
8 shall each cease and desist from violating RCW 21.20.140, the securities registration section of the  
9 Securities Act of Washington.

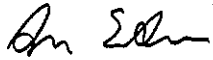
10 IT IS FURTHER AGREED AND ORDERED that Respondent Ira J. Weinstein, and his agents and  
11 employees shall each cease and desist from violating RCW 21.20.040, the securities salesperson and broker-  
12 dealer registration section of the Securities Act of Washington.

13 IT IS FURTHER AGREED AND ORDERED that Respondent Ira J. Weinstein, and his agents and  
14 employees shall each cease and desist from violating RCW 21.20.010, the anti-fraud section of the  
15 Securities Act of Washington.

16 IT IS FURTHER AGREED AND ORDERED that Respondent Ira J. Weinstein's investment adviser  
17 representative registration shall be suspended for a period of at least one year from the entry of this Consent  
18 Order.  
19

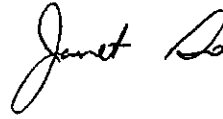
20 IT IS FURTHER AGREED AND ORDERED that Respondent Ira J. Weinstein shall not apply for  
21 registration as a securities salesperson or broker-dealer for a period of at least one year from the entry of this  
22 Consent Order.  
23  
24  
25

1 Approved by:

2 

3  
4 Suzanne Sarason  
Chief of Enforcement

Presented by:



5  
6 Janet So  
7 Financial Legal Examiner

8 Reviewed by:

9 

10  
11 Robert Kondrat  
12 Financial Legal Examiner Supervisor

1 IT IS FURTHER AGREED AND ORDERED that Respondent Ira J. Weinstein shall pay a fine of  
2 \$2,000. \$500 shall be paid prior to the entry of the Consent Order. The remaining balance of the fine shall  
3 be paid in full within six months after the entry of the Consent Order.

4 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

5 IT IS FURTHER AGREED that Respondent Ira J. Weinstein has entered into this Consent Order  
6 freely and voluntarily and with a full understanding of its terms and significance.

7 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Ira J. Weinstein  
8 waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter  
9 34.05 RCW.

10 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

11  
12 Signed this 8 day of March, 2018

13  
14 Signed by:

15  
16 /s/ Ira Jay Weinstein  
Ira J. Weinstein

17  
18 SIGNED and ENTERED this 13th day of March, 2018



William M. Beatty  
Securities Administrator